



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0012	Title:	Clarify distribution of oil and gas revenue to counties
Primary Sponsor:	Steinbeisser, Donald J	Status:	As Introduced

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|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$427,960	\$851,220	\$936,340	\$973,796
Revenue:				
General Fund	(\$427,960)	(\$851,220)	(\$936,340)	(\$973,796)
State Special Revenue	\$427,960	\$851,220	\$936,340	\$973,796
Net Impact-General Fund Balance	<u>(\$427,960)</u>	<u>(\$851,220)</u>	<u>(\$936,340)</u>	<u>(\$973,796)</u>

Description of fiscal impact:

Currently, oil and natural gas tax revenue is distributed to local governments according to a statutory formula that is based on the pre-1999 distribution of oil and natural gas tax revenue. SB12 distributes the interest earned on the county share of the oil and natural gas revenue to the counties. This would increase local revenue and decrease general fund revenue by \$427,960 in FY 2010, \$851,220 in FY 2011, \$936,340 in FY 2012 and \$973,796 in FY 2013.

FISCAL ANALYSIS

Assumptions:

- Under current law, interest earned on oil and natural gas production tax revenue is deposited into the state general fund. SB 12 distributes that interest to the counties in the same percentages as the oil and natural gas revenue.

2. SB 12 applies to interest earned on oil and gas production taxes on or after July 1, 2009. This would include all oil and gas tax revenue in FY 2010 and all following fiscal years.
3. The HJR 2 revenue estimate for oil and gas severance tax revenue is \$223,057,000 in FY 2010 and \$234,451,000 in FY 2011. No HJR 2 revenue estimate exists for the 2013 biennium. OBPP estimates a growth of 10% in FY 2012 and 4% in FY 2013.
4. Taxes are paid quarterly. This fiscal note assumes oil and natural gas production is evenly distributed throughout the year, so each quarterly payment is the same.
5. In FY 2008 45.9% of the oil and natural gas revenue was distributed to local governments, 46.2% of the oil and natural gas revenue was deposited into the state general fund, and 7.9% was deposited into other state special revenue accounts. These percentages are expected to remain the same in FY 2010 through FY 2013.
6. Taxpayers are allowed 60 days after the end of the quarter to remit oil and natural gas production taxes for the previous quarter. The quarterly tax payments may come in at any point between the 1st day and the 60th day. This fiscal note assumes that all payments are made on the 30th day after the close of the quarter.
7. The Department has 60 days from when the taxes are due to distribute the revenue to the counties. If a producer pays the tax on the 30th day after the end of the quarter, then the revenue is held by the state for 90 days, one fourth of a year.
8. The estimated interest rate on the short term investment pool (STIP) in the official revenue estimate is 1.683% in FY 2010 and 3.200% for FY 2011. For purposes of this fiscal note, a STIP interest rate of 3.200% is used for fiscal years 2012 and 2013.
9. Each quarterly payment would earn interest for ninety days, so in FY 2010 this would be 0.418% of the payment and 0.791% in following fiscal years.
10. The annual fiscal impact is the sum of the four quarters in the fiscal year. The total loss to the state general fund is the same increase in revenue for the local governments and is shown in the table below.

	FY 2010	FY 2011	FY 2012	FY 2013
Total Revenue	\$223,057,000	\$234,451,000	\$257,896,100	\$268,211,944
Number of Quarters	4	4	4	4
Quarterly Payments	\$55,764,250	\$58,612,750	\$64,474,025	\$67,052,986
Percent To Counties	45.90%	45.90%	45.90%	45.90%
County Revenue	\$25,595,791	\$26,903,252	\$29,593,577	\$30,777,321
90 Day Interest Rate	0.418%	0.791%	0.791%	0.791%
Quarterly County Interest Revenue	\$106,990	\$212,805	\$234,085	\$243,449
Number of Quarters	4	4	4	4
Yearly Revenue	\$427,960	\$851,220	\$936,340	\$973,796

11. This will require 400 hours of staff time for system development and testing to be absorbed by existing staff (See technical note #1).

Expenditures:

Local Assistance	\$427,960	\$851,220	\$936,340	\$973,796
TOTAL Expenditures	\$427,960	\$851,220	\$936,340	\$973,796

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$427,960	\$851,220	\$936,340	\$973,796
TOTAL Funding of Exp.	\$427,960	\$851,220	\$936,340	\$973,796

Revenues:

General Fund (01)	(\$427,960)	(\$851,220)	(\$936,340)	(\$973,796)
State Special Revenue (02)	\$427,960	\$851,220	\$936,340	\$973,796
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$427,960)	(\$851,220)	(\$936,340)	(\$973,796)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

SB12 would increase local revenues by \$427,960 in FY 2010, \$851,220 in FY 2011, \$936,340 in FY 2012 and \$973,796 in FY 2013. (See assumption #12.)

Technical Notes:

Gentax is the software that the Department uses to administer the taxes of Montana. Currently, Gentax computes the county share of the COGS distribution and creates the warrants to the counties. Accounting then distributes the states share manually in SABHRS. Money deposited in the COGS clearing fund is invested by the Board of Investments and the interest earnings is deposited in the general fund. SB12 will change this process by requiring deposits to be invested in STIP and then sold at the time the quarterly distribution is processed.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date